

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 DODE-00 PA-01 PRS-01 /091 W

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P R 070425Z FEB 76

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 6049

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L VIENTIANE 0321

DEPT ALSO PASS AID

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: EAID, EFIN, LA

SUBJECT: REOF: DISPOSITION OF KIP BALANCE ON TERMINATION OF
FUND

SUMMARY: FEOF MANAGER HAS ASKED DONOR ADVISORY BOARD
FOR INSTRUCTIONS ON DISPOSITION OF KIP BALANCES OF U.S.,
U.K., AUSTRALIA AND JAPAN AT SUCH TIME AS FUND GOES OUT
OF EXISTENCE. AMOUNT IN OUR CASE IS ALMOST 1.2 BILLION
KIP. ACTION REQUESTED: INSTRUCTIONS FROM DEPARTMENT
AND AID/W, PREFERABLY IN TIME FOR DAB MEETING MORNING
FEBRUARY 11. END SUMMARY.

1. BRITISH REPRESENTATIVE (CHAIRMAN FOR FEBRUARY)

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HAS CONVENED MEETING OF FEOF DONOR ADVISORY BOARD FOR

FEBRUARY 11, WHICH WILL BE FIRST MEETING IN THREE MONTHS. PURPOSE WILL BE TO CONSIDER LETTER FROM MANAGER DATED FEBRUARY 3, IN WHICH HE ASKS FOR INSTRUCTIONS ON DISPOSITION OF FEOF'S ANTICIPATED KIP BALANCE AT TIME FUND IS TERMINATED.

2. LETTER STATES THAT BALANCES WILL BE AS FOLLOWS AT TIME FEOF TERMINATES, PROVIDED THERE IS NO CHANGE IN CURRENT RATE OF EXCHANGE (BEGIN QUOTE):

A) BALANCE OF COUNTERPART REMAINING FROM JAPANESE CONTRIBUTION, 1975-74: KIP 7,414,067,285;

B) BALANCE OF KIP REMAINING FROM AUSTRALIAN CONTRIBUTIONS, 1964-73: KIP 32,303,018;

C) BALANCE OF KIP REMAINING FROM U.K. CONTRIBUTIONS, 1964-73: KIP 539,642,737;

D) BALANCE OF KIP RESULTING FROM U.S. CONTRIBUTIONS, 1964-73: KIP 1,179,311,754;

E) UNUSED AUSTRALIAN 10 PERCENT FOR CY 1974: KIP 55,852,330;

F) UNUSED PORTION U.K. 10 PERCENT FOR CY 1974: KIP 64,836,288;

G) TOTAL: KIP 9,286,013,412. (END QUOTE)

3. DOCUMENTS ACCOMPANYING MANAGER'S LETTER REPORT DISPOSITION OF KIP GENERATED DURING CY 75 AND INDICATE THAT THE TOTAL OF 3,352,281,107 KIP GENERATED BY U.S. CONTRIBUTION OF US\$5 MILLION (\$3MILLION AT 605 RATE THAT PREVAILED UNTIL MARCH 31 AND \$2 MILLION AT 755 RATE THEREAFTER) WAS FOR TRANSFER TO LAO TREASURY. (COPIES OF LETTER AND ATTACHMENTS BEING POUCHED TO AID/EA/L AND EA/VLC.)

4. JAPANESE AND AUSTRALIAN REPRESENTATIVES HAVE ALREADY APPROACHED US TO INQUIRE ABOUT U.S. POSITION.
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(U.K. REPRESENTATIVE IS OUT OF TOWN AND FRENCH ARE NOT INVOLVED SINCE THEY HAVE ALWAYS WITHDRAWN KIP EQUIVALENT OF THEIR CONTRIBUTION.) BOTH JAPANESE AND AUSTRALIANS ARE REQUESTING INSTRUCTIONS. AUSTRALIAN HAS LITTLE DOUBT THAT GOA WILL AUTHORIZE TRANSFER OF THEIR RELATIVELY SMALL BALANCES TO PDRL. JAPANESE, WITH LARGEST AMOUNT AT STAKE, ARE UNCERTAIN WHAT COURSE TOKYO WILL CHOOSE AND MAY BE INFLUENCED BY U.S.

POSTIION; JAPANESE AMBASSADOR DURING FEBRUARY 6 LUNCHEON AT CHARGE'S COMMENTED THAT THE SEVEN BILLION KIP WOULD BE USEFUL IN MEETING HIS EMBASSY'S LOCAL EXPENSES.

5. FOR OUR PART, WE ARE UNCERTAIN OF ORIGIN OF U.S. KIP BALANCE WHEN WE HAVE TRADITIONALLY TRANSFERRED TO THE LAO THE KIP GENERATED BY OUR CONTRIBUTIONS AND IN ADDTION HAVE BOUGHT KIP FROM THE FEOF FOR LOCAL EXPENSES. ALSO, WE DO NOT KNOW WHETHER DISPOSITION OF KIP IN QUESTION SHOULD BE GOVERNED BY ARTICLES 13 (A) THROUGH (D) OF 1975 MEMORANDUM OF UNDERSTANDING, PARAGRAPHS XV, XVI, AND XIX OF CY 75 CONFIDENTIAL LETTERS, AND/OR COMPARABLE PROVISIONS OF PRIOR-YEAR AGREEMENTS.

6. BUT FOR STATEMENT BY PRESIDENT OF NATIONAL BANK OF LAOS ON FEBRUARY 6 THAT PDRL HAD DECIDED TO UN-FREEZE THE MAJOR USDO BANK ACCOUNTS IN VIENTIANE (VIENTIANE 0314, NOTAL), WE WOULD HAVE RECOMMENDED THAT U.S. WITHHOLD PART OR ALL OF ITS MORE THAN ONE BILLION KIP BALANCE PENDING RESOLUTION OF BANK ACCOUNTS PROBLEM, AND WE BELIEVE THIS OPTION SHOULD BE KEPT OPEN UNTIL WE CONFIRM THAT WE HAVE ACCESS TO OUR NBL ACCOUNT AS WELL AS TO THE ONE AT THE FORMER BANQUE DE L'INDOCHINE.

7. ACTION REQUESTED: DEPARTMENT'S INSTRUCTIONS AS TO DISPOSTION OF OUR REOF KIP BALANCE. INSTRUCTIONS WOULD BE MOST USEFUL IF TRANSMITTED BY COB WASHINGTON TIME FEBRUARY 10, BUT WE WILL HAVE NO PROBLEM IN TELLING DAB ON FEBRUARY 11 THAT WE ARE STILL AWAITING INSTRUCTIONS. JAPANESE MAY WELL BE IN SAME POSITION. CONFIDENTIAL

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